



Rebuilding NJ's Economy



FY2011 Budget Solutions: Fundamental Reform to Rebuild New Jersey's Economy

COMMONLY ASKED QUESTIONS ABOUT THE FY2011 BUDGET SOLUTIONS

THE BASICS

How much does this budget spend and what was the cut from last year?

The proposed budget spends approximately \$29.3 billion compared to last year's appropriation act budget of \$32.2 billion. That's a spending cut of 8.9%.

What is the State surplus?

The State's budgeted surplus is the same as last year -- \$501 million, which is less than 2% of the budget.

PROPERTY TAXES

Didn't Governor Christie promise to keep property tax rebates and increase them? And isn't Governor Christie going against his promise by cutting rebates by almost one billion dollars and by cutting back on the freeze program?

People will ultimately receive the same level of benefit they received in the past, but they will receive it differently. Instead of getting a rebate check, they will start getting their benefits quarterly as a direct reduction in their property tax bills.

This budget ends the property tax rebate gimmick and replaces it with a real reduction on property tax bills, which is something both Democrats and Republicans have proposed for years, but never accomplished. Transitioning rebates to a credit will take some time, but the benefits include stopping the politically motivated and expensive practice of sending rebate checks and ending the practice of forcing the State to borrow a billion dollars in the beginning of the fiscal year to pay a benefit for which we have no resources.

The senior freeze program is important and Governor Christie has committed to making sure no one loses a benefit they received in the past. However, this budget recognizes that the program is expanding at an unsustainable rate.

Won't aid reductions to towns and schools cause property tax increases?

Just because aid is going down, it doesn't mean taxes have to go up. In this budget, we lost more than \$1 billion in federal aid, several major taxes are expiring, and the general economy is causing lower tax collections. Yet this budget is balanced without broad-based revenue increases because we eliminated

programs, cut spending, and created efficiencies. Governor Christie is confident that local elected officials will also rise to the challenge.

Governor Christie's budget reduces school funding. Won't that mean layoffs, larger class sizes, and reduced programs for things like athletics, and extracurricular activities?

The previous administration relied on a \$1 billion, one-shot federal source of funding for schools in the current budget. Without that funding, and with such a necessarily austere budget, we simply don't have an extra billion to restore the federal funding fully.

Districts throughout the state will face hard choices. But it is past time for our local school boards to insist that their employees start contributing solutions by accepting wage moderation and beginning to pay something – anything – for their health insurance like every other resident in this state must do.

Additionally, the Christie Administration intends to push for changes that will give school boards some additional tools to control costs. The Governor will support legislation that frees them from having to pay energy taxes in support of the Clean Energy program. Additionally, he supports legislation that requires local employee contributions to health care and changes to the collective bargaining process to create a more level playing field for school boards and teachers unions.

In some cases the budget is eliminating 100% of school aid while other schools are losing far less of their aid. How is that fair?

First of all, it is simply not true that any school district is losing 100% of state assistance. For all schools, the State will continue to pay more than \$1 billion towards 100% of every school's federal Social Security payments and 100% of the cost of post retirement medical benefits for their retirees. And the State continues to assume the pension costs for each and every teacher in each and every school district. We will also continue to provide assistance for extraordinary special education aid and debt service aid to most schools.

Second, all schools are being treated the same in that their aid is being reduced by the same amount – up to 5% of their budgets.

Won't the budget cuts to municipalities erode local services and increase taxes?

There's no question that mayors will have a challenge ahead of them. In this budget, we lost more than \$1 billion in federal aid, several major taxes are sunseting, and the general economy is causing lower tax collections. Yet this budget is balanced without broad-based revenue increases because we eliminated programs, cut spending, and created efficiencies. Governor Christie is confident that local elected officials will also rise to the challenge.

ECONOMIC DEVELOPMENT

Despite making promises to promote economic recovery, your budget cuts a number of economic recovery programs, including eliminating a program that pays businesses for creating jobs, eliminating a science and technology grant program, cutting back on energy efficiency grants, and cutting back tax credits for high tech business development and the film industry. Won't these cuts hurt economic growth?

This budget touches everything in the State. Everyone has to share in downsizing. That includes spending programs in the business arena. The Governor has ensured that the State's flagship business growth program, the BEIP program, is continued at current levels, but some other programs that are not as effective have been put on hold. But this Administration is committed to encouraging economic growth by reducing taxes and eliminating red tape by making economic development a priority. The New Jersey Partnership for Action will be the hub for job creation and economic growth.

TAXES

Why is Governor Christie letting the tax expire on the richest one percent when the revenue from that could restore many of the harshest cuts in this budget?

The endless tax increases over the last eight years (115 to be exact) have been a way to keep government spending programs afloat. Higher taxes may generate money in the short term, but in the end, they chase away employers and kill jobs. It's no accident New Jersey fared better than its neighbors in employment rates, numbers of insured, and overall business competitiveness before the tax increases of the last decade took hold, and that it has lagged since. As documented by a recent Boston College study, 11,000 households have taken more than \$70 billion of wealth out of New Jersey since 2004. That's certainly not surprising considering our State suffers the highest tax burden in the country.

We need to grow our economy once again, not suffocate it with taxes at this vulnerable point. Only a growing, competitive economy will generate the jobs and resources we need to support the least fortunate among us on a sustainable basis.

Governor Christie promised no new taxes, but his budget includes a tax increase on hospitals and surgical centers. Aren't those tax increases?

There is a crisis in the health care industry and these increases are part of a broader plan that will draw down matching federal funds that will place hospitals on a much more stable financial footing. The health care assessments will generate 45 million dollars but that money and additional dollars from the federal government will be returned to hospitals. As a result, charity care funding will increase. Even in difficult economic times, the State has an obligation to take care of our most vulnerable.

HIGHER EDUCATION

You are cutting aid to public higher education and eliminating it for private higher education. Won't this just result in higher tuition for students and their parents?

Governor Christie's goal is to be in a position where aid for higher education can be increased. However, right now, New Jersey simply doesn't have the money. In order to help universities and colleges embrace cost savings and avoid simply passing the buck to their students, Governor Christie has proposed a series of reform to empower higher education institutions to control their own budgets. The Governor is recommending that State colleges and universities be able to opt out of Civil Service, conduct collective bargaining on their own behalf, and manage their own workers' compensation programs and claims for workplace illness and injury.

IMPACTS OF CUTS ON THE POOR / DISTRESSED AREAS

Governor Christie is making a number of cuts that will heavily impact the poor. For example, PAAD and Senior Gold beneficiaries could wind up paying as much as \$500 more for benefits, people in Abbott School Districts will have an increased co-pay for child care, developmentally disabled in community setting will contribute more of their supplemental security check, able bodied people on general assistance will have their cash payments eliminated, low income people with AIDS will lose access to free drugs, adults in day care settings will have new co-pays and reduced services, and low income people will have their earned income tax credits reduced by 20%. Aren't these budget cuts falling disproportionately on the poor?

The Fiscal Year 2011 Budget is the result of hard and difficult choices. The reality is that, given the current economic and fiscal climate, no department or program can go untouched. The unfortunate consequence is that many services Governor Christie considers priorities will have to share in the sacrifice. However, by putting New Jersey's fiscal house in order now, it will be possible to restore funding for the most effective and necessary programs in the future.

Governor Christie has proposed ending Urban Enterprise Zone Aid. Won't this result in struggling areas losing ground in their redevelopment efforts?

First of all, most of the job-creating aspects of our Urban Enterprise Zone program remain. The tax rates in the areas will still be half of the statewide level. However, there have been no conclusive studies that show the grant component of the UEZ programs work and it is time that these special aid programs take a breather while we determine if they should remain or be reformed in some way.

Secondly, we need to look beyond the budget and improve the state's climate for growth. The economic and fiscal crises we are facing today have made it even more difficult for struggling businesses in our state. We need to fund programs that truly incentivize development and create quality paying jobs.

PENSION FUNDING

The proposed budget does not include anything to pay for the State's contribution to the defined benefits plans in Fiscal Year 2011. Won't this further exacerbate the underfunding of the pension systems?

Given the size of the budget gap there was simply no way to include a State contribution for the defined benefit plans in 2011.

The lack of State funding is not the only cause of the current underfunding. It's one of several reasons, along with disappointing investment returns, lower-than-prudent employee contributions, and the cumulative impact of overly generous pension benefit increases over the years that have not been paid for.

Although we're not happy with the lack of a contribution this year, we believe that the package of bipartisan reforms that Senator Sweeney proposed represents an important first step in restoring the pension system to financial health. The package includes a constitutional amendment that commits the State to making significant annual payments over the next seven years. More reforms will be needed, including measures that will match worker benefits to the taxpayers' ability to pay.

STATE EMPLOYEES

How many state employees will be eliminated from the state payroll because of this budget?

By the end of the fiscal year, it is expected that there will be approximately 1,300 fewer employees due to a combination of attrition and program eliminations.

Additionally, the Administration is studying privatization ideas to identify possible savings. There could be additional layoffs associated with any privatization ideas that move forward.